

Message Text

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PAGE 01 QUITO 04494 302257Z
ACTION PM-05

INFO OCT-01 ARA-10 ISO-00 ACDA-12 AID-05 CIAE-00
INR-10 NSAE-00 L-03 MCE-00 OMB-01 SS-15 TRSE-00
HA-05 EB-08 /075 W
-----117880 302322Z /70

P R 302217Z JUN 78
FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 8671
SECDEF WASHDC
INFO CG DARCOM
CG MIRCOM
USCINCSO QUARRY HTS CZ

C O N F I D E N T I A L QUITO 4494

3. OM. 11652: GDS
TAGS: MASS, EC
SUBJECT: GOE REQUEST FOR CLARIFICATION OF DATA IN
CHAPARRAL/VULCAN LOA

1. VADM RENAN OLMEDO, CHIEF OF THE JOINT COMMAND AND CURRENTLY ACTING MINDEF, HAS TRANSMITTED AN URGENT REQUEST TO THE EMBASSY FOR CLARIFICATION OF PRICE DATA CONTAINED IN THE CHAPARRAL/VULCAN (C/V) LOA. OLMEDO CALLED IN THE DATT ON JUNE 28 AND TOLD HIM THAT THE C/V SALE COULD FALL THROUGH FOR ONE OF TWO REASONS: STRONG COMPETITION FROM THE BRITISH RAPIER, OR GOE CONCERN THAT THE C/V SYSTEM PRICE IS UNJUSTIFIABLY HIGH. WITH REGARD TO THE FIRST POINT HE NOTED THAT SEVERAL SENIOR ECUADOREAN AIR FORCE (FAE) OFFICIALS ARE PUSHING THE BRITISH SYSTEM BECAUSE OF PAYOFFS. HE SAID A THREE MAN COMMISSION WOULD TRAVEL TO THE UK NEXT WEEK WHERE A HARD SELL WOULD BE MADE. OLMEDO EXPRESSED SOME BITTERNESS OVER THE VENALITY OF THESE FAE OFFICIALS BUT ADDED THAT THEY WERE BEING ENCOURAGED BY THE BRITISH EMBASSY AND THE BRITISH DEFENSE MINISTRY.

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2. BY FAR THE ELEMENT OF MOST CONCERN TO OLMEDO, HOWEVER, WAS THE QUESTION OF PRICE. HE EXPRESSED A CONTINUING DOUBT, WHICH HE MADE CLEAR IS SHARED BY OTHER KEY GOE OFFICIALS, THAT THE LOA PRICE IS REALLY THE BEST POSSIBLE. HE ADDED THAT THOSE PUSHING THE BRITISH SYSTEM HAVE RAISED SERIOUS PROBLEMS WITH REGARD TO CHAPARRAL PRICING AND PRESENTED THE DATT WITH FOUR SPECIFIC

QUESTIONS ON PRICING ASPECTS OF THE LOA:

A) HE ASKED WHY THE MISSILE IS \$62,000 PER IN A 3 BATTALION BUY BUT \$66,000 PER IN A 2 BATTALION BUY. HE NOTED THAT HE UNDERSTOOD THE PRICE CHARGED MOROCCO FOR THE AIM-9 (ESSENTIALLY THE SAME MISSILE) WAS \$22,000 EACH, AND THAT CHILE WAS CHARGED LESS THAN \$40,000 (PRESUMABLY ALSO FOR AIM-9'S), AND INQUIRED WHETHER THE \$62-66,000 PRICE REALLY REPRESENTS THE LOWEST POSSIBLE.

B) HE NOTED AN APPARENT DISCREPANCY IN THE LOA ITSELF WHERE THE MISSILE IN COMPONENTS, MINUS WINGS AND FINS, HAS A TOTAL PRICE OF AROUND \$40,000 AS OPPOSED TO THE \$62,000 PRICE FOR THE ASSEMBLED MISSILE.

C) HE QUESTIONED THE PRICE FIGURE OF \$158,000 FOR A "SYSTEM REQUIREMENT SURVEY TEAM", AND THE FIGURE OF \$288,000 FOR 12 MAN-MONTHS OF MAINTENANCE TECH TIME.

D) HE QUESTIONED THE COST LEVEL FOR MAINTENANCE EQUIPMENT INDICATED IN THE LOA AND ASKED TO KNOW HOW MUCH THAT ELEMENT MIGHT BE LOWERED SHOULD THE GOE OPT FOR A CENTRALIZED MAINTENANCE SYSTEM.

3. IN SEPARATE CONVERSATION WITH FORD AEROSPACE REPRESENTATIVE ON JUNE 26, CHARGE OBTAINED OTHER INFORMATION ON CHAPARRAL PRICING WHICH ALSO RAISES QUESTIONS AS TO ACCURACY OF DATA IN LOA. FORD REPS INDICATED THAT THE CURRENT COST OF THE I-CHAPARRAL MISSILE TO THE USG, EX-FORD FACTORY, IS LESS THAN \$30,000. IF TRUE, THIS

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MEANS THAT OVER \$30,000 IS ADDED TO THE COST OF THAT MISSILE BY THE TIME IT IS OFFERED TO THE GOE.

4. EMBASSY REQUESTS URGENTLY RESPONSES/EXPLANATIONS OF POINTS IN PARA 2 RAISED IN OLMEDO. ALSO REQUEST A DETAILED COST BREAKDOWN ON CHAPARRAL MISSILE, INDICATING FACTORY COST AND USG ADD-ONS.

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Message Attributes

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